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STATE FOR WHA, WHA/CAR, INR/IAA; USSOUTHCOM ALSO FOR POLAD;
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TAGS: DR PGOV PREL ECON

SUBJECT: DOMINICAN POLITICS III, #19: FERNANDEZ'S NATIONAL
DAY SPEECH: STATISTICS AND TAKING CREDIT

Classified By: Economic-Political Counselor Michael A. Meigs, Reasons 1
.4(b), (d)

¶1. (U) This is the 19th cable in our series on Dominican
politics in the third year of the administration of President
Leonel Fernandez.

SUMMARY

(U) President Leonel Fernandez used the occasion of his February 27 Independence Day speech to announce that DR-CAFTA was expected to enter into force on March 1 (which it now has). He did not announce his candidacy for re-election in 2008; even so, there is no doubt that is ready to accept his party's nomination after internal primaries in May. Fernandez's speech was upbeat and stressed positive economic indicators, such as 10.7 percent economic growth. The opposition attacked the President's optimism as "disconnected from the reality of the Dominican people." The full text of the speech can be found on our SIPRNET site, <http://www.state.sgov.gov/p/wha/santodomingo/> .

THE ECONOMIC RECORD

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(U) President Leonel Fernandez arrived at the Congress right on time on the morning of February 27, national day, for the constitutionally-mandated address to the nation. He began with a detailed recounting of the Dominican Republic's economic performance in 2006, which he contrasted on several occasions with the financial mismanagement of his predecessor, Hipolito Mejia. Among the mind-numbing pages of statistics cited by the President were:

-- Improved macroeconomic indicators: 10.7 percent economic growth, low inflation (5 percent), lower interest rates (16.4

percent), high foreign reserves (\$1.18 billion), and an improved bond risk rating (B plus);

-- Job growth (100,000 new jobs; unemployment reduced to 16 percent);

-- Growth in the agriculture sector (9.9 percent); and

-- Expansion of the tourism industry (5,100 new hotel room built).

DR-CAFTA AND PLANS FOR 2007

(U) Moving on to his administration's plans for 2007, Fernandez discussed a series of policy achievements and initiatives, some of which are already underway. He mentioned the regional free trade agreement with the United States (DR-CAFTA) at the approximate mid-point of the speech.

Fernandez said he had had "direct contact" with USTR Schwab regarding the free trade agreement and that the accord was likely to enter into force on March 1 (which it now has).

(U) The President noted the benefits that DR-CAFTA would bring to the Free Zones, which have become a hot-button political issue as a result of a series of layoffs in those special economic areas. Fernandez blamed the job losses on "ferocious competition" from Asia in the textile sector, and commented that that industry is also suffering in Mexico and Central America. To address the problem, the government is working on a strategy to "relaunch" the Free Zones. Central to this process will be the Law on Incentives to Industry, which has already been sent to the Congress, and the creation of a Special Fund for the Conversion of Viable Zone

Enterprises. Other economic projects mentioned by Fernandez include:

-- A National Strategy to Reduce Poverty, including continued support to the "Solidarity Program" for the poorest families;

-- An Integrated Strategy for the Prevention and Control of Dengue Fever; and

-- A Recapitalization Plan for the Central Bank to address the quasi-fiscal deficit.

CRIME AND DRUGS

(U) Fernandez asserted that crime rates are down but acknowledged that the public perception is that the crime problem remains very serious. The President argued that a key contributing factor to crime was narcotics trafficking, and he described the drug trade as "the dark side of globalization." In an effort to coordinate international counter-narcotics efforts, the Dominican Republic will host a counter-narcotics summit later this month, which will be attended by the heads of state of Colombia and Haiti, as well as representatives of the U.S., CARICOM, the OAS, and Spain.

THE ENERGY AND TRANSPORTATION SECTORS

(U) Regarding the troubled energy sector, Fernandez said the Government was developing an Integrated Plan and that his administration had already budgeted a reduction in the electricity subsidy by 27 percent (to \$400 million) -- a key step toward fulfilling a requirement for continued IMF funding. "All of this," the President said, "indicates that we are advancing toward the achievement of the great national dream of a Dominican Republic free of blackouts."

(SBU) Fernandez praised the investments in ethanol production to be made by "two large local companies" (read: the politically powerful Vicini Group and Central Romana Corporation of the Fanjul brothers). Regarding transportation, the President announced that the Santo

Domingo subway system would be open in one year. Fernandez invited the congressmen present to join him on the metro's first run after next year's speech, and in a painful attempt at humor admonished them that snacks will not be permitted on the trains. The President also announced the plan to arrange an international tender for the private construction of toll roads throughout the country.

POLITICAL INSTITUTIONS AND CONSTITUTIONAL REFORM

(U) Fernandez asserted that a "silent revolution" was taking place within the institutions of the Dominican state. He praised the National Commission on Ethics and the Combating of Corruption, and said that work continues on a draft law on political parties. Regarding the constitutional reform process launched in October, the President said the first draft of proposed amendments would be submitted to the Congress soon. In addition, despite pressure from the political opposition and prominent non-governmental organizations, Fernandez held firm to his position that the constitutional changes should be reviewed and voted on by the existing (PLD-majority) Congress and not by a specially elected Constituent Assembly. Finally, the President promoted the concept of "Dynamic Cultural Action," including a proposed Law to Support the Cinematographic Arts.

REACTIONS

(SBU) Opposition parties strongly criticized Fernandez's positive tone and, in a familiar refrain, called the President's erudite speechmaking "all form and no substance."

Ramon Alburquerque, President of the Dominican Revolutionary Party (PRD), described the national day speech as being "like an artistic show... disconnected from the reality of the Dominican people." Miguel Vargas Maldonado, the PRD's presidential candidate, told the press that, "for President Leonel Fernandez, everyone in the world but himself is responsible for the problems that affect the country."

(SBU) The Editor of the newspaper Diario Libre, Adriano Tejada, mocked what it called the "mythic tone" of Fernandez's speech, as well as his apparent attempt to take some of the credit for the achievements of Dominican athletes in international competitions. Tejada commented that for the President to joke to the Congress about taking snacks on the subway -- while not addressing the central criticism of the obscure contracting and high costs of the Government's metro project -- was "an insult to our intelligence."

COMMENT

(C) The opposition PRD made a vigorous counter-thrust by claiming that President Fernandez is out of touch with the man in the street. That view is understandable, particularly since the PRD's strength is in the country's poorest areas. The PRD touches on a real vulnerability for the President: the popular perception that all those numbers from Fernandez and the Central Bank don't reflect reality. The average Dominican has the impression that unemployment remains high and wages remain low.

(C) Even so, opposition comments came across as piecemeal and petulant, particularly since no figure took the effort to craft anything more than a soundbite. Commentators recalled that the PRD's grand figure Francisco Pena Gomez regularly replied to President Balaguer's annual address with a full and cogently argued presentation of his own that served to stress the differences between the parties.

(C) The President said not a word about his intentions about possible re-election, but some of his comments were intended to have the emotive appeal of elements of a stump speech. In February the PLD political committee put Fernandez's name on the slate of three "pre-candidates" for the presidency for its May primary. His support committee has put up a large

number of campaign billboards in recent weeks, many of them artfully designed to suggest spontaneous popular support for him. No one doubts that Leonel Fernandez is seeking a third term in office for the May 2008 election and is counting on good news and continued economic recovery to get it for him.

-- Drafted by Peter Hemsch

¶2. (U) This report and extensive other material can be consulted on our SIPRNET site,
<http://www.state.sgov.gov/p/wha/santodomingo/>
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